

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 AGRE-00 AID-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04

TRSE-00 CEA-01 NSC-05 SS-15 XMB-02 OPIC-03 AF-08

ARA-06 EA-07 NEA-10 SSO-00 INRE-00 USIE-00 NSCE-00

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O R 302149Z MAR 77

FM USMISSION GENEVA

TO SECSTATE WASHDC NIACT IMMEDIATE 6316

INFO USMISSION USEC BRUSSELS

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OECD PARIS 5960

C O N F I D E N T I A L SECTION 1 OF 2 GENEVA 2435

EB/ORF/ICD FOR WENDT

E.O. 11652: GDS

TAGS: UNCTAD EGEN

SUBJ: UN CONFERENCE ON A COMMON FUND

REF: GENEVA 2434

1. SUMMARY: SMALL DRAFTING GROUP WITHIN GROUP B
PRODUCED REVISED TEXT OF GROUP B PRINCIPLES ON A COMMON FUND WHICH
WILL BE ATTACHED TO DRAFT DECISION CONTAINED IN REFTEL.
MAJOR PROBLEM HAS DEVELOPED OVER AUSTRALIAN AND
CANADIAN DEMAND TO GET A SPECIFIC REFERENCE TO THE CONCEPT
OF SHARED PRODUCER-CONSUMER RESPONSIBILITY FOR FINANCING
OF COMMODITY AGREEMENTS. IF THEY INSIST ON FOOTNOTE TO
GROUP B TEXT TO COVER THEIR OWN POINTS, NORDICS WILL
DEMAND SAME PRIVILEGE. TEXT WILL BE PRESENTED TO GROUP B
MORNING MARCH 31 FOR APPROVAL, TOGETHER WITH DRAFT DECISION,
SINCE THEY FORM A SINGLE PACKAGE. END SUMMARY.
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2. BEGIN TEXT: ELEMENTS FOR THE BASIS OF A COMMON FUND -
PRELIMINARY GROUP B POSITION PAPER:

QUOTE:

1. A COMMON FUND SHOULD SERVE THE FOLLOWING MAJOR SPECIFIC
OBJECTIVES AND PURPOSES:

(A) TO FACILITATE THE FINANCING OF BUFFER STOCKS AS MIGHT BE AGREED BY PRODUCERS AND CONSUMERS IN THE FRAMEWORK OF INTERNATIONAL COMMODITY ARRANGEMENTS (1) DESIGNED TO STABILIZE PRICES AROUND THE LONGER-TERM MARKET TRENDS, AND

(B) THEREBY FACILITATE, WHERE APPLICABLE, THE SETTING UP OF INTERNATIONAL COMMODITY ARRANGEMENTS, PARTICULARLY THOSE COVERING COMMODITIES OF SPECIAL INTEREST TO DEVELOPING COUNTRIES;

(FOOTNOTE (1): AN INTERNATIONAL COMMODITY ARRANGEMENT SHALL MEAN ANY INTERNATIONAL AGREEMENT OR ARRANGEMENT CONCLUDED BETWEEN THE PRODUCING COUNTRIES AND THE CONSUMING COUNTRIES OF A COMMODITY, WHOSE MEMBERSHIP TOGETHER REPRESENTS A SUBSTANTIAL SHARE OF THE INTERESTS IN EACH OF THE EXPORT AND IMPORT TRADE OF THE COMMODITY IN QUESTION. END FOOTNOTE)

2. A COMMON FUND SHOULD RESPECT THE AUTONOMY OF INDIVIDUAL ICOS. IN PARTICULAR:

- IT SHOULD RESPECT THE POLICY OR OPERATIONAL DECISIONS MADE BY ICOS, INCLUDING THOSE REGARDING THE NEED FOR AND SIZE OF INDIVIDUAL BUFFER STOCKS AND METHODS OF THEIR FINANCING;

- ALL ICOS WHICH ASSOCIATE WITH A COMMON FUND SHOULD CONFIDENTIAL

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HAVE AUTOMATIC AND NON-DISCRIMINATORY ACCESS TO FINANCING AVAILABLE THROUGH ITS FUNDING MECHANISM;

- ICOS SHOULD REMAIN SUBJECT TO THE DISCIPLINE ARISING FROM THEIR RESPONSIBILITY FOR THE FINANCING OF STABILIZATION MEASURES AND SHOULD BE FREE TO DECIDE WHETHER OR NOT TO PARTICIPATE IN ARRANGEMENTS OF A COMMON FUND. WHENEVER PRODUCERS AND CONSUMERS IN THE COURSE OF NEGOTIATION ARE AGREED ON THE ESTABLISHMENT OF MEASURES SUCH AS BUFFER STOCKS AND PRICE RANGES FOR A COMMODITY, THE LACK OF FINANCING SHOULD NOT BE ALLOWED TO PREVENT SUCH AN AGREEMENT FROM BEING CONCLUDED AND THE NEGOTIATING PARTIES SHOULD DISCUSS MEASURES TO INSURE THIS.

3. A COMMON FUND SHOULD PROVIDE FINANCIAL ECONOMIES IN COMPARISON WITH SEPARATELY-FINANCED BUFFER STOCKS.

4. A COMMON FUND SHOULD FUNCTION AS A FINANCIALLY VIABLE OPERATION ON THE BASIS AND TERMS OF THE RESOURCES MADE

AVAILABLE TO IT, AND ON THE BASIS OF RULES ESTABLISHED
FOR THE PROPER MANAGEMENT OF ITS OPERATIONS.

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C O N F I D E N T I A L SECTION 2 OF 2 GENEVA 2435

5. A COMMON FUND SHOULD BE BASED ON A PATTERN OF MUTUAL
ASSISTANCE AMONGST PARTICIPATING INDIVIDUAL COMMODITY
AGREEMENTS, ALLOWING OPTIMAL USE OF RESOURCES MADE AVAILABLE
THROUGH ICOS AND SHOULD FUNCTION AS AN AGENCY FOR
THE EXTENSION OF LOANS TO INTERNATIONAL COMMODITY OR-
GANIZATIONS.

6. INTERVENTION IN THE MARKETS FOR INDIVIDUAL
COMMODITIES CAN APPROPRIATELY BE UNDERTAKEN ONLY BY, AND
ACCORDING TO THE TERMS OF, INDIVIDUAL COMMODITY OR-
GANIZATIONS IN ACCORDANCE WITH THEIR AGREED PROVISIONS.
ACCORDINGLY A COMMON FUND SHOULD NOT INTERVENE DIRECTLY
IN THE MARKET.

7. WHILE FULLY RECOGNIZING THE IMPORTANCE OF MEASURES
OTHER THAN BUFFER STOCKING, THE NEED AND SCOPE FOR
A COMMON FUND ROLE IN THIS CONTEXT SHOULD BE FURTHER EX-
PLORED HAVING DUE REGARD TO THE INTERNATIONAL MACHINERY
WHICH CURRENTLY SUPPORTS SUCH MEASURES. (IF OTHER MEASURES
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WERE TO BE FINANCED THROUGH A COMMON FUND, THE ACCOUNT FOR SUCH FINANCING SHOULD BE KEPT SEPARATE FROM THAT OF BUFFER STOCK FINANCING.) UNQUOTE.

3. COMMENTS ON TEXT: LAST SUBPARAGRAPH OF PARA 2 IS THE SUBJECT OF CONTROVERSY FOR AUSTRALIANS AND TO A LESSER DEGREE, CANADIANS. CANADA HAS REQUESTED THAT THE FOLLOWING SENTENCE BE ADDED, QUOTE: IN THIS CONTEXT, THE NOTION OF JOINT PRODUCER-CONSUMER FINANCING CAN PLAY AN IMPORTANT ROLE IN ANY COMMON FUND PROPOSAL BY ENSURING FINANCIAL RESOURCES FOR SUCH STABILIZATION MEASURES UNQUOTE.

4. AUSTRALIA HAS REQUESTED THAT THE FOLLOWING LANGUAGE BE ADDED TO THE SUBPARAGRAPH OR FORM A NEW ONE. QUOTE: 10. A COMMON FUND SHOULD NOT BE A SUBSTITUTE FOR THE FINANCING OF STABILIZATION MEASURES BY ICOS AND, IN PARTICULAR, THE NOTION OF JOINT PRODUCER/CONSUMER RESPONSIBILITY FOR ENSURING FINANCIAL RESOURCES FOR SUCH STABILIZATION MEASURES. THIS NOTION CAN PLAY AN IMPORTANT ROLE IN LIMITING THE FINANCIAL BURDEN FALLING UPON A COMMON FUND, AND ALSO ASSIST IN ENSURING THAT STABILIZATION MEASURES ARE DECIDED UPON IN THE CONTEXT OF THE REALITIES OF INDIVIDUAL COMMODITY ARRANGEMENT NEGOTIATIONS. UNQUOTE. THE US, EC, AND JAPAN HAVE RESISTED SUCH LANGUAGE, ARGUING THAT THIS IS NOT THE PLACE TO TACKLE THE DIFFICULT QUESTION OF PRODUCER-CONSUMER FINANCIAL RESPONSIBILITY. THIS ISSUE SHOULD BE DECIDED WITHIN THE CONTEXT OF INDIVIDUAL COMMODITY AGREEMENTS, AND IF A GENERAL PRINCIPLE IS TO BE ENUNCIATED, THIS IS NOT THE PLACE TO DO IT. AUSTRALIAN REP (TEESE) CLAIMS HE CAN ONLY ACCEPT A GROUP B TEXT WITHOUT SUCH LANGUAGE IF PARAGRAPH 5 IS ALSO DELETED, WHICH HE SEES AS POSING THE CLEARING HOUSE/ POOLING OPTION, THUS REMOVING ANY SPECIFIC OPTIONS FROM GROUP B TEXT. GROUP B SPOKESMAN (BARRASS) HOPES TO RESOLVE THIS ISSUE BY PRESSURING THE AUSTRALIANS AND CANADIANS TO CONFIDENTIAL

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ACCEPT REFERENCE TO THEIR APPROACH IN THE TALKING POINTS WITH WHICH THE GROUP B TEXT IS INTRODUCED.

5. DEPT'S IMMEDIATE COMMENTS REQUESTED IN TIME FOR GROUP B MEETING HERE OOB MARCH 31.SORENSEN

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Message Attributes

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